

ARIZONA WORKFORCE

FORECAST
REPORT

Arizona Department of Economic Security, Research Administration

September 6, 2007

Arizona's Forecast Update Shows Job Growth of 4.3% During 2007-'08 — 113,700 Jobs

DES, Research Administration's (RA's) forecast update for 2007-'08 shows Arizona's economy is expected to continue adding jobs over the two-year period. This forecast update calls for growth of 113,700 nonfarm jobs, with growth rates of 2.4 percent in 2007 and 1.7 percent in 2008. This suggests that the economy is slowing more than RA's earlier forecasts had predicted. RA's forecast in April was 3.7 percent for 2007 and 3 percent for 2008.

Arizona Industry Employment

Average Annual Over-the-Year Change

	2006 ^(a)	2007 ^(b)	2008 ^(b)
Manufacturing	2.7%	-0.5%	-0.1%
Natural Resources/ Mining	15.0%	13.3%	6.0%
Construction	11.9%	-1.0%	-5.0%
Trade, Trans. & Utilities	4.5%	2.8%	2.5%
Information	-1.2%	-1.4%	0.6%
Financial Activities	5.0%	1.2%	1.8%
Profess & Business Services	7.8%	3.9%	2.2%
Education & Health Services	5.4%	4.1%	3.7%
Leisure & Hospitality	4.9%	4.3%	3.6%
Other Services	10.0%	5.1%	3.3%
Government	1.8%	2.2%	2.0%

a) Historical

b) Forecast

Arizona's economy is nevertheless expected to perform better than the national economy over the two-year period. Global Insight forecasts that the nation's nonfarm jobs will grow by 1.4 percent in 2007 and by 1.1 percent job in 2008.

Economic expansion outside of the United States helps maintain growth in Arizona industries dependent on exports, such as natural resources and mining and tourism-related industries. Arizona's population growth is expected to continue at about the same pace — 6.1 percent over two years, according RA's Population Statistics Unit.

While job growth rates are projected to decrease during 2007-2008, Arizona's economy is expected to experience improving growth trends as some of the affects subside in the housing and finance (mortgage) industries. Population growth will eventually remove the surplus of unsold homes on the current market and provide the impetus of increasing demand for housing.

Natural resources and mining is projected to continue its strong growth, with 13.3 percent in 2007 and 6 percent in 2008. Almost 2,000 new jobs are expected to be added in Arizona's fastest growing industry. Demand for

Total Nonfarm Employment Annual Average Growth Rate

	2006 ^(a)	2007 ^(b)	2008 ^(b)
Arizona	5.4%	2.5%	1.7%
Phoenix-Mesa-			
Scottsdale MSA ¹	6.0%	2.7%	1.8%
Tucson MSA ²	3.5%	2.4%	1.1%
Balance of State ³	4.2%	1.9%	1.9%

1) Maricopa and Pinal counties

2) Pima County

3) Arizona less Maricopa, Pinal and Pima counties

a) Historical

b) Forecast

copper and other natural resource material is expected to remain strong in both the United States and abroad. In Arizona's rural areas and smaller urban counties, mining activity is projected to bolster other parts of the local economy.

Construction is projected to lose 2,400 jobs in 2007 and 12,100 jobs in 2008. The slowdown in the housing market and a tightening lending market hastens the construction employment losses. Much of the recent impacts from the sub-prime lending and adjustable-rate mortgage loans are expected to cause various private sector driven adjustments to lending practices.

Manufacturing forecasts call for a loss of about 900 jobs in 2007 and

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300 in 2008. At six-tenths of 1 percent of its overall employment, manufacturing's losses over the two-year forecast period are relatively small. Recent losses in this sector have been the result of Arizona factory closures and consolidations in the computer and electronic parts sector. Continued military demand is expected to support aerospace product and parts and fabricated metal job growth.

Trade, transportation and utilities employment is expected to have lower job growth than forecast in April 2007 as a result of the reduction in the growth rate of consumer spending and wavering consumer confidence. Despite this slowdown, trade, transportation and utilities is forecast to add the largest number of jobs of any major industry group — 27,000 during the forecast period. As has been the case for several earlier years, higher fuel and energy process are expected to continue to challenge transportation companies and consumers.

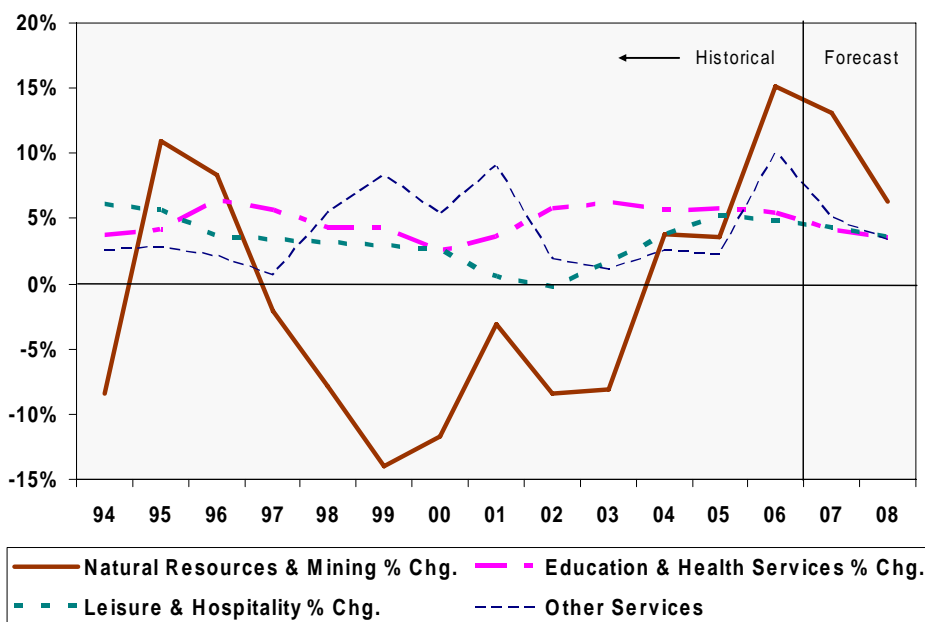
Information is forecast to lose slightly more than 600 jobs in 2007 and then gain 300 jobs in 2008. Recent employment trends in this industry have begun to shift away from several years of losses.

Job growth in the financial activities industry is projected to slow in 2007 as the financial industry adjusts with credit tightening and restructuring. In 2008, economic and population growth is forecast to bolster this industry despite weakness in the

continued on page 3

Arizona Forecast 2007-'08 Update — Strongest Percentage Change by Major Industry

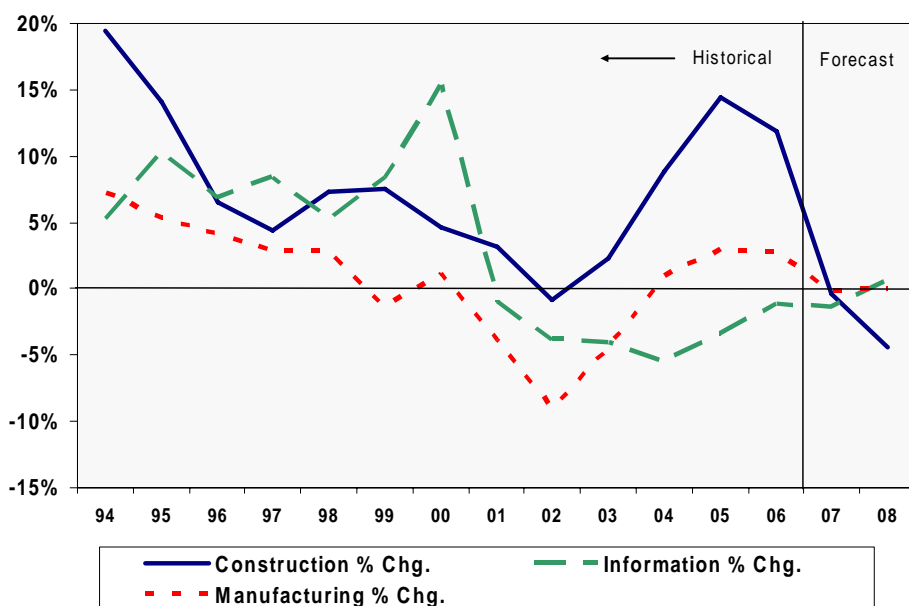
Annual Percentage Chg.



Source: Arizona Dept. of Economic Security, Research Administration, September 2007

Arizona Forecast 2007-'08 Update — Weakest Percentage Change by Major Industry

Annual Percentage Chg.



Source: Arizona Dept. of Economic Security, Research Administration, September 2007

housing market. The financial activities group is forecast to add 2,200 jobs this year and 3,300 jobs in 2008.

Professional and business services is forecast to add 24,400 jobs, with 3.9 percent growth in 2007 and 2.2 percent next year. The slowing rates of growth are a result of the overall slowdown in the economy. Job growth is expected to be fairly good in professional, scientific and technical services, while the other sectors will bear more of the brunt of the economic slowdown.

Educational and health services is projected to gain 23,000 jobs during the forecast period. The forecast for this industry is only slightly below

that of the April 2007 figures. New health care facilities and schools continue to need staffing and will be necessary to meet population demands.

Leisure and hospitality is forecast to add more than 21,500 jobs. This industry is projected to do well from the domestic traveler seeking to explore Arizona and the Southwest, and from travelers from foreign markets taking advantage of the lower value of the U.S. dollar. This industry reached new record highs in 2006 and 2007, despite drought-related weather conditions in the Southwest.

Other services is projected to add almost 8,700 jobs during the forecast period and represents the second largest percentage gain of any major industry group with increases of 5.1 percent in 2007 and 3.3 percent in 2008.

Government job growth is projected to slow slightly, as demand for public services continues from a growing population. Government is forecast to add more than 17,500 jobs over the forecast period.

In conclusion, Arizona's economy showed considerable job growth in 2006 — the fastest job growth state in the nation at 5.4 percent. However, considerable signs of a slowing national and local economy have caused Research Administration's forecast update to show downward revisions to growth in 2007 and 2008. Regardless, over the forecast period Arizona's economy is expected to outpace the national economy, which is expected to grow by 1.4 percent in 2007 and 1.1 percent in 2008, compared to Arizona's 2.5 percent and 1.7 percent growth, respectively.

About This Publication

Arizona Workforce is published 14 times a year by the Arizona Dept. of Economic Security, Research Administration (RA) — 12 as the monthly Employment Report and twice a year as RA's two-year Forecast Report.

Copies of the reports are available at RA's Web site, www.workforce.az.gov, or by requesting a printed copy by calling 602-542-3871; writing to P.O. Box 6123, Phoenix, AZ 85005-6123; or sending an e-mail to: bfine@azdes.gov.

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Dennis Doby	Acting Research Administrator
Don Wehbey	Economic Analysis Manager
Frank Curtis	Data Systems Manager

Release Presented by: Don Wehbey,, DES, Research Administration Senior Economist

Contact: For clarification or additional information, call (602) 542-3871

Next Press Briefing: **August Employment Report** - Thursday, Sept. 20, 10 a.m., DES Administration Building, Room 110, 1717 W. Jefferson St., Phoenix

Arizona's Workforce and additional economic data are on the Internet at:
<http://www.workforce.az.gov>

Equal Opportunity Employer/Program (see back page for more information)

Table 1

Arizona Employment Forecast (In Thousands)						
	2005	2006	2007	2008	Numerical Change	
					2007	2008
Total Nonfarm Employment	2509.0	2643.8	2710.4	2757.5	66.7	47.0
<i>Percent Change</i>		5.4	2.5	1.7		
Manufacturing	182.3	187.3	186.3	186.1	-0.9	-0.3
<i>Percent Change</i>		2.7	-0.5	-0.1		
Natural Resources & Mining	8.6	9.9	11.2	11.9	1.3	0.7
<i>Percent Change</i>		15.0	13.3	6.0		
Construction	219.5	245.5	243.1	231.0	-2.4	-12.1
<i>Percent Change</i>		11.9	-1.0	-5.0		
Trade, Transportation, & Utilities	488.6	510.8	524.9	537.9	14.1	13.0
<i>Percent Change</i>		4.5	2.8	2.5		
Information	45.3	44.7	44.1	44.4	-0.6	0.3
<i>Percent Change</i>		-1.2	-1.4	0.6		
Financial Activities	174.4	183.1	185.3	188.7	2.2	3.3
<i>Percent Change</i>		5.0	1.2	1.8		
Professional & Business Services	366.1	394.7	410.1	419.1	15.4	9.1
<i>Percent Change</i>		7.8	3.9	2.2		
Education & Health Services	275.7	290.5	302.4	313.5	11.9	11.1
<i>Percent Change</i>		5.4	4.1	3.7		
Leisure & Hospitality	254.3	266.7	278.2	288.3	11.5	10.1
<i>Percent Change</i>		4.9	4.3	3.6		
Other Services	91.4	100.6	105.7	109.2	5.1	3.5
<i>Percent Change</i>		10.0	5.1	3.3		
Government	402.8	409.9	419.0	427.4	9.2	8.4
<i>Percent Change</i>		1.8	2.2	2.0		

Note - All calculations are based on actual figures and then rounded to the nearest tenth for percentage change or the nearest hundred for employment.

Table 2

Phoenix-Mesa-Scottsdale MSA Employment Forecast						
(In Thousands)						
	2005	2006	2007	2008	Numerical Change	
					2007	2008
Total Nonfarm Employment	1787.9	1894.7	1945.1	1980.7	50.3	35.6
<i>Percent Change</i>		<i>6.0</i>	<i>2.7</i>	<i>1.8</i>		
Manufacturing	136.6	140.3	139.2	139.0	-1.1	-0.1
<i>Percent Change</i>		<i>2.7</i>	<i>-0.8</i>	<i>-0.1</i>		
Natural Resources & Mining	2.2	2.7	3.1	3.1	0.4	0.0
<i>Percent Change</i>		<i>23.3</i>	<i>14.9</i>	<i>0.2</i>		
Construction	163.9	184.8	183.2	174.1	-1.6	-9.1
<i>Percent Change</i>		<i>12.7</i>	<i>-0.9</i>	<i>-4.9</i>		
Trade, Transportation, & Utilities	362.2	379.6	390.9	401.1	11.4	10.2
<i>Percent Change</i>		<i>4.8</i>	<i>3.0</i>	<i>2.6</i>		
Information	33.3	32.9	33.0	33.2	0.1	0.2
<i>Percent Change</i>		<i>-1.2</i>	<i>0.3</i>	<i>0.6</i>		
Financial Activities	147.0	154.2	156.3	158.8	2.0	2.5
<i>Percent Change</i>		<i>4.9</i>	<i>1.3</i>	<i>1.6</i>		
Professional & Business Services	296.9	320.6	331.7	339.6	11.1	7.9
<i>Percent Change</i>		<i>8.0</i>	<i>3.5</i>	<i>2.4</i>		
Education & Health Services	184.1	195.3	203.6	211.7	8.3	8.1
<i>Percent Change</i>		<i>6.1</i>	<i>4.3</i>	<i>4.0</i>		
Leisure & Hospitality	170.4	180.7	190.5	198.8	9.7	8.4
<i>Percent Change</i>		<i>6.1</i>	<i>5.4</i>	<i>4.4</i>		
Other Services	66.0	73.0	77.0	79.7	4.0	2.7
<i>Percent Change</i>		<i>10.6</i>	<i>5.5</i>	<i>3.5</i>		
Government	225.4	230.6	236.7	241.5	6.1	4.8
<i>Percent Change</i>		<i>2.3</i>	<i>2.6</i>	<i>2.0</i>		

Note - All calculations are based on actual figures and then rounded to the nearest tenth for percentage change or the nearest hundred for employment.

Table 3

Tucson MSA Employment Forecast						
(In Thousands)						
	2005	2006	2007	2008	Numerical Change	
					2007	2008
Total Nonfarm Employment	366.7	379.7	388.9	393.0	9.2	4.1
Percent Change		3.5	2.4	1.1		
Manufacturing	28.3	28.8	28.8	28.4	0.1	-0.4
Percent Change		1.6	0.2	-1.3		
Natural Resources & Mining	1.4	1.6	1.8	2.0	0.3	0.1
Percent Change		14.0	17.3	7.0		
Construction	25.7	28.1	27.9	26.1	-0.2	-1.8
Percent Change		9.1	-0.8	-6.4		
Trade, Transportation, & Utilities	59.6	61.8	63.2	64.4	1.4	1.1
Percent Change		3.8	2.3	1.8		
Information	7.2	7.0	6.2	6.2	-0.8	0.0
Percent Change		-3.3	-11.0	0.0		
Financial Activities	16.5	17.3	17.0	17.0	-0.3	0.0
Percent Change		4.6	-1.7	0.2		
Professional & Business Services	45.9	49.1	52.5	53.0	3.4	0.5
Percent Change		6.8	7.0	1.0		
Education & Health Services	50.5	52.8	55.0	56.8	2.2	1.8
Percent Change		4.5	4.2	3.2		
Leisure & Hospitality	39.8	40.7	41.6	42.4	1.0	0.8
Percent Change		2.3	2.4	1.9		
Other Services	14.7	15.9	16.7	17.1	0.8	0.4
Percent Change		8.3	4.8	2.5		
Government	77.1	76.7	78.1	79.6	1.4	1.5
Percent Change		-0.4	1.8	1.9		

Note - All calculations are based on actual figures and then rounded to the nearest tenth for percentage change or the nearest hundred for employment.

Table 4

Balance of State Employment Forecast						
(In Thousands)						
	2005	2006	2007	2008	Numerical Change	
					2007	2008
Total Nonfarm Employment	354.5	369.4	376.5	383.8	7.1	7.3
<i>Percent Change</i>		4.2	1.9	1.9		
Manufacturing	17.4	18.2	18.4	18.6	0.1	0.2
<i>Percent Change</i>		4.6	0.7	1.3		
Natural Resources & Mining	5.0	5.6	6.3	6.8	0.6	0.5
<i>Percent Change</i>		11.8	11.4	8.5		
Construction	29.8	32.7	32.1	30.9	-0.6	-1.2
<i>Percent Change</i>		9.6	-1.7	-3.9		
Trade, Transportation, & Utilities	66.9	69.5	70.7	72.4	1.3	1.6
<i>Percent Change</i>		3.8	1.8	2.3		
Information	4.8	4.9	4.9	5.0	0.1	0.1
<i>Percent Change</i>		2.1	1.3	1.4		
Financial Activities	10.9	11.6	12.1	12.9	0.5	0.8
<i>Percent Change</i>		6.5	4.2	6.6		
Professional & Business Services	23.3	25.0	25.9	26.5	0.9	0.6
<i>Percent Change</i>		7.4	3.5	2.4		
Education & Health Services	41.1	42.4	43.8	45.0	1.4	1.2
<i>Percent Change</i>		3.2	3.3	2.8		
Leisure & Hospitality	44.1	45.3	46.1	47.1	0.8	1.0
<i>Percent Change</i>		2.6	1.7	2.1		
Other Services	10.7	11.6	12.0	12.4	0.4	0.4
<i>Percent Change</i>		8.3	3.1	3.4		
Government	100.3	102.5	104.2	106.2	1.7	2.0
<i>Percent Change</i>		2.2	1.7	1.9		

Note - All calculations are based on actual figures and then rounded to the nearest tenth for percentage change or the nearest hundred for employment.

**Arizona, Phoenix-Mesa-Scottsdale MSA, Tucson MSA, and Balance of State,
Annual Percentage Change in Nonfarm Employment, 1994-2008***

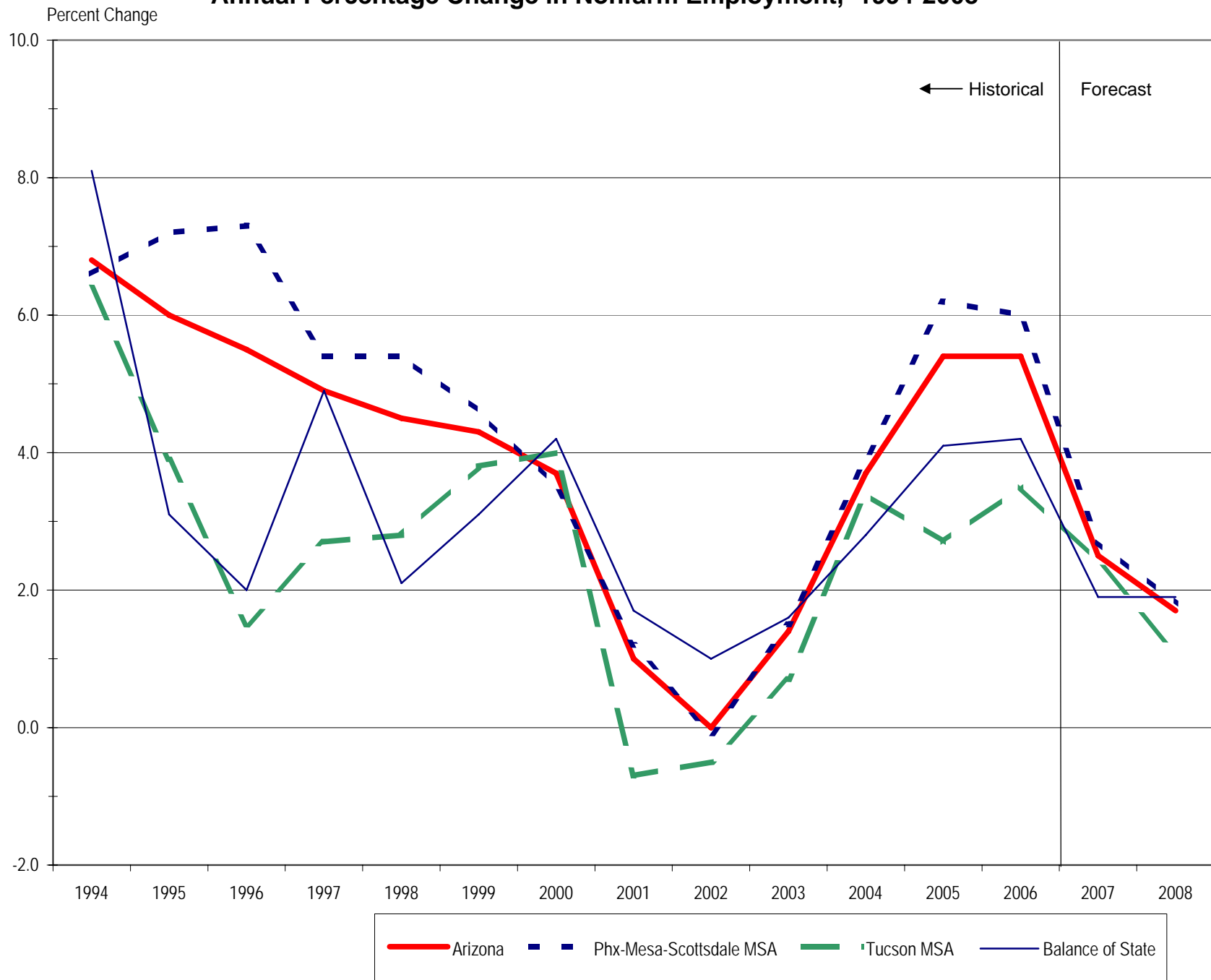


Chart 2

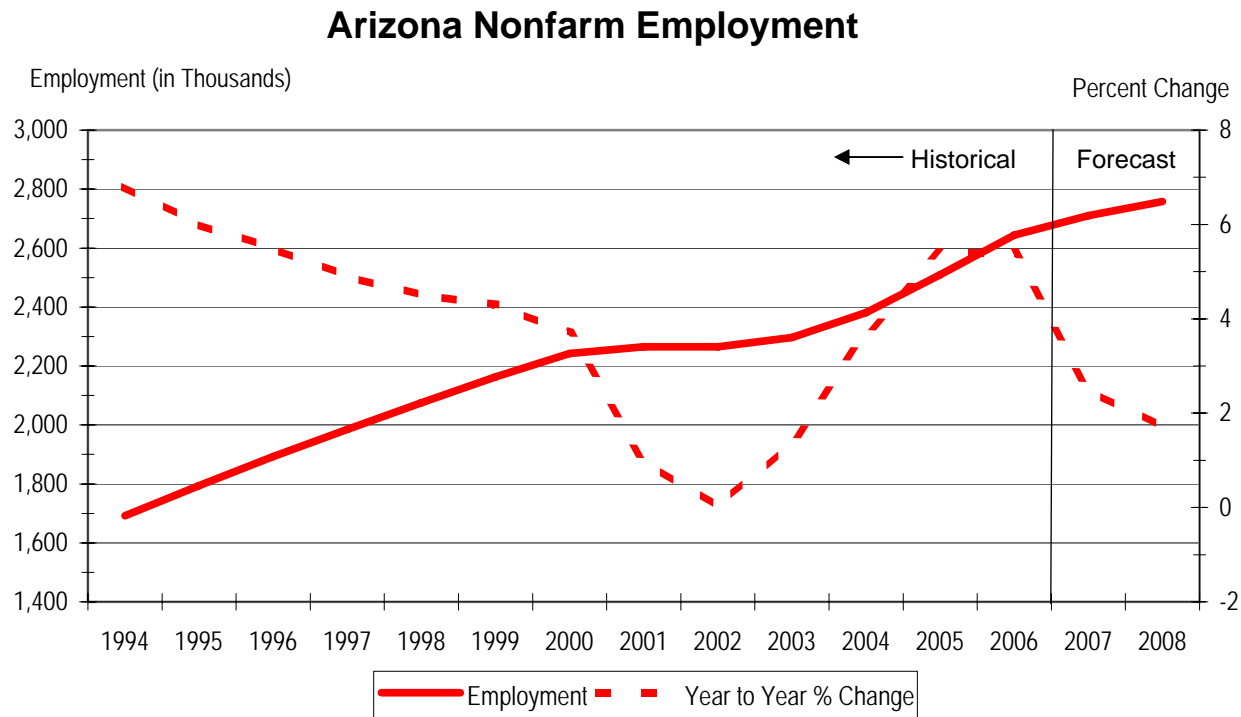


Chart 3

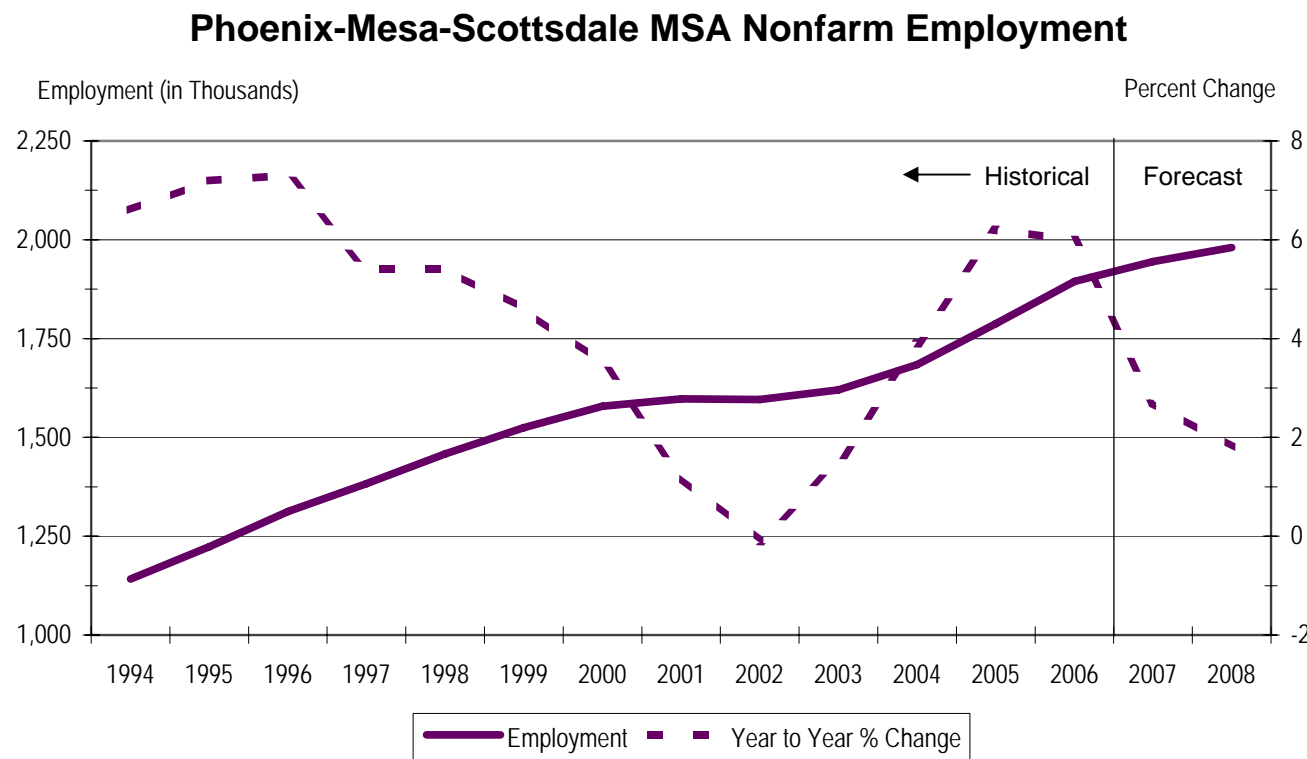


Chart 4

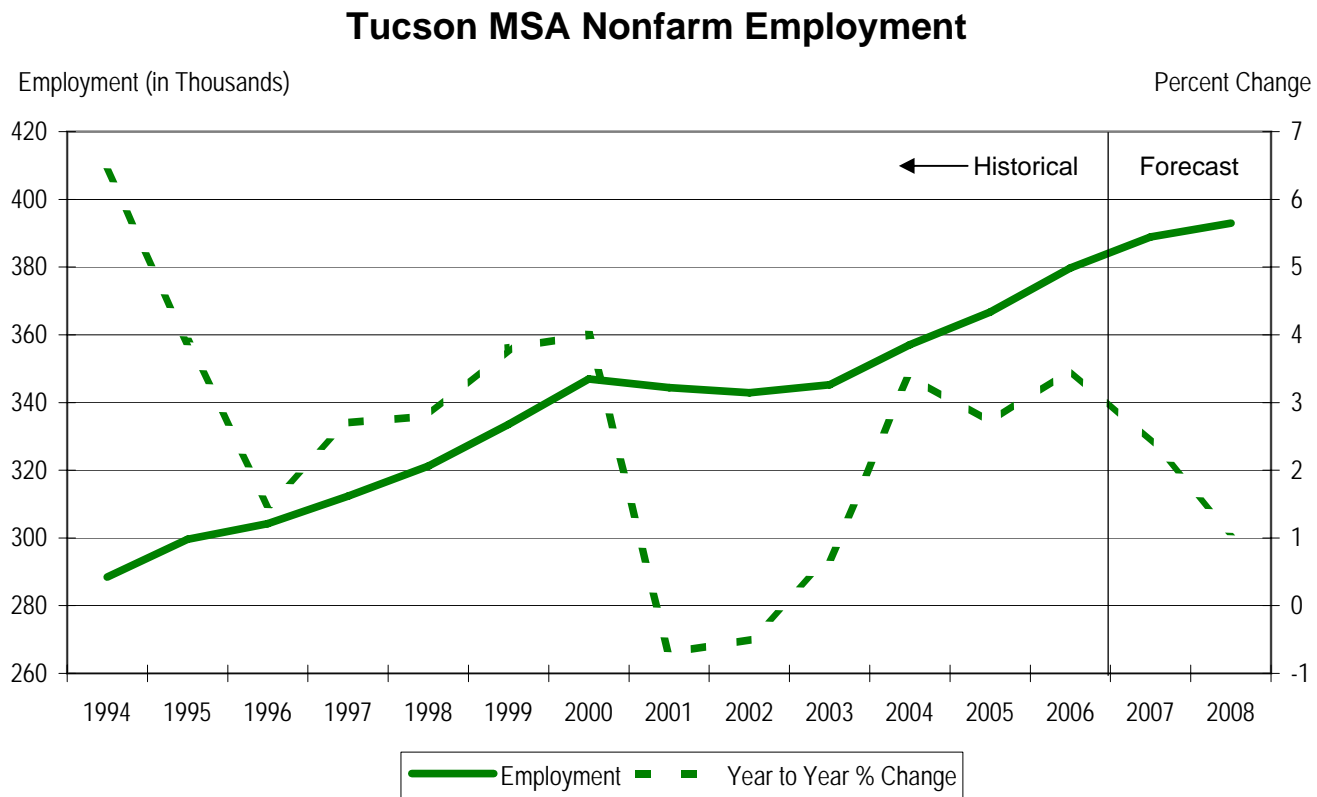


Chart 5

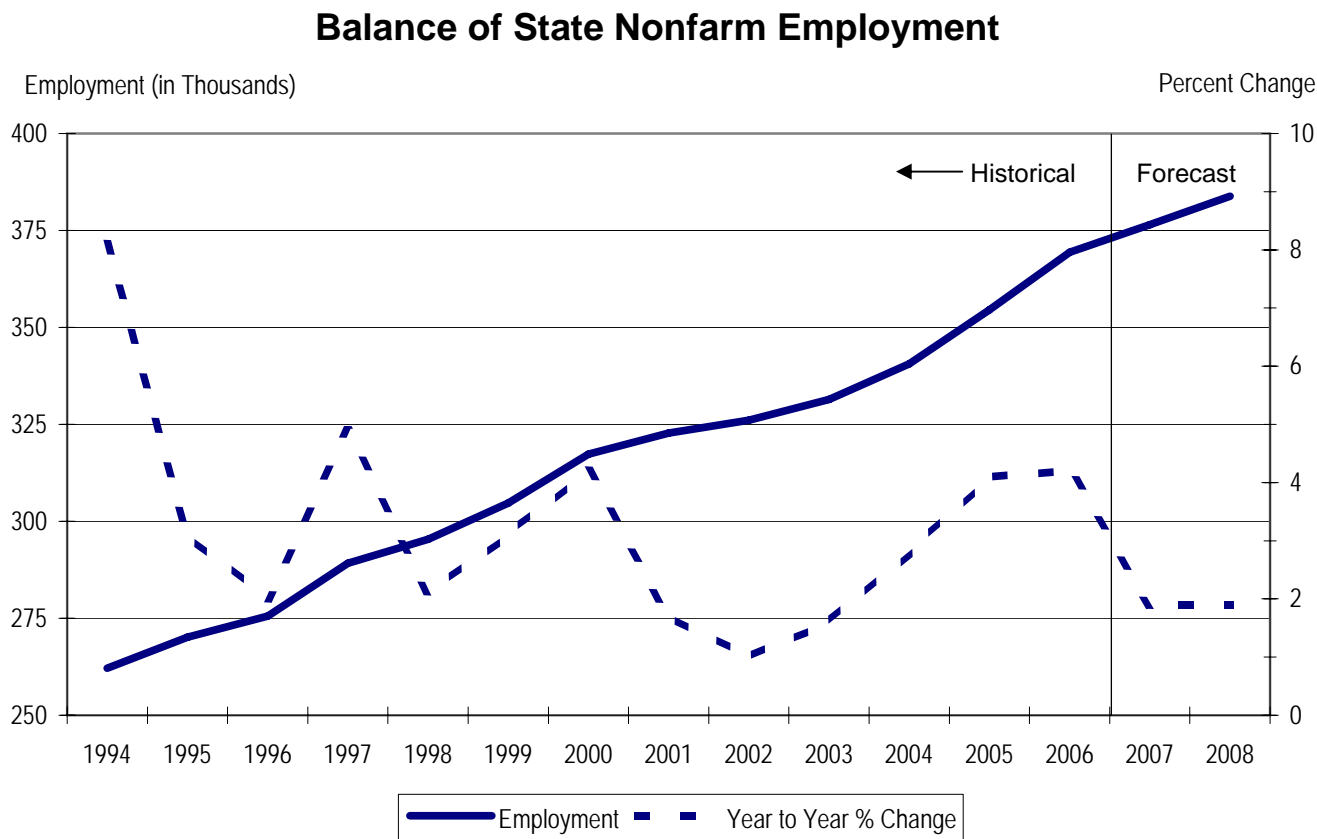


Chart 6

Arizona Manufacturing Employment

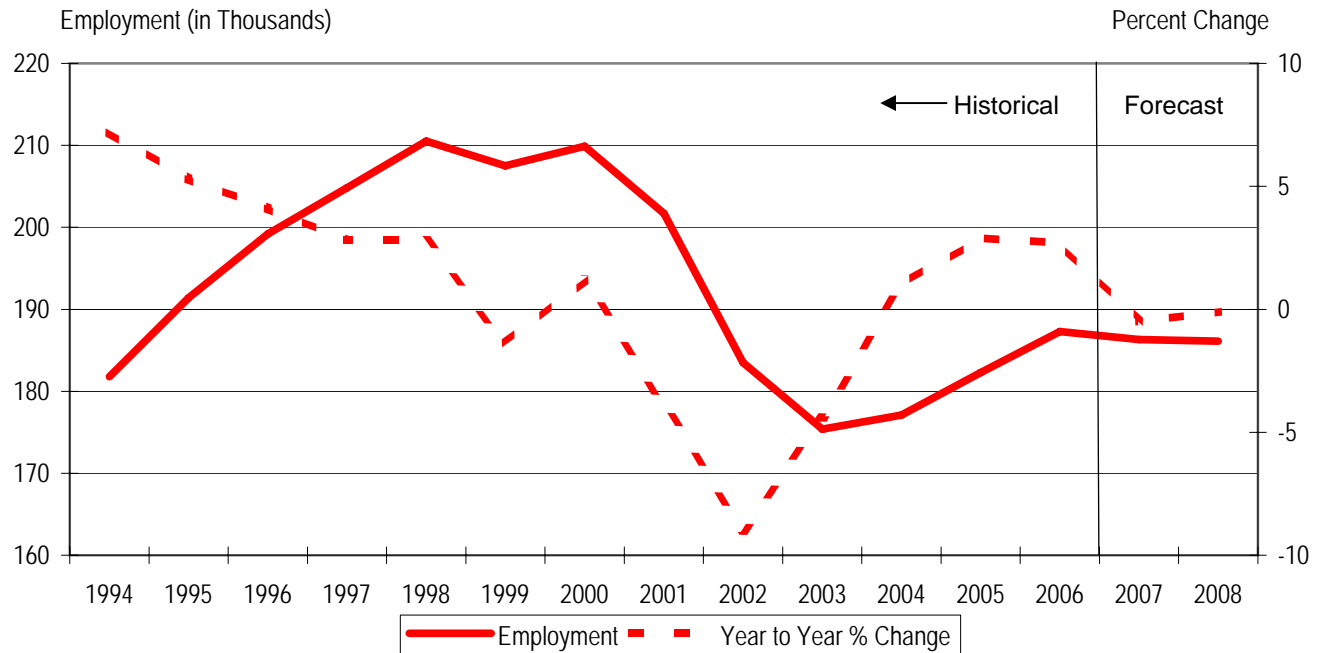


Chart 7

Arizona Natural Resources & Mining Employment

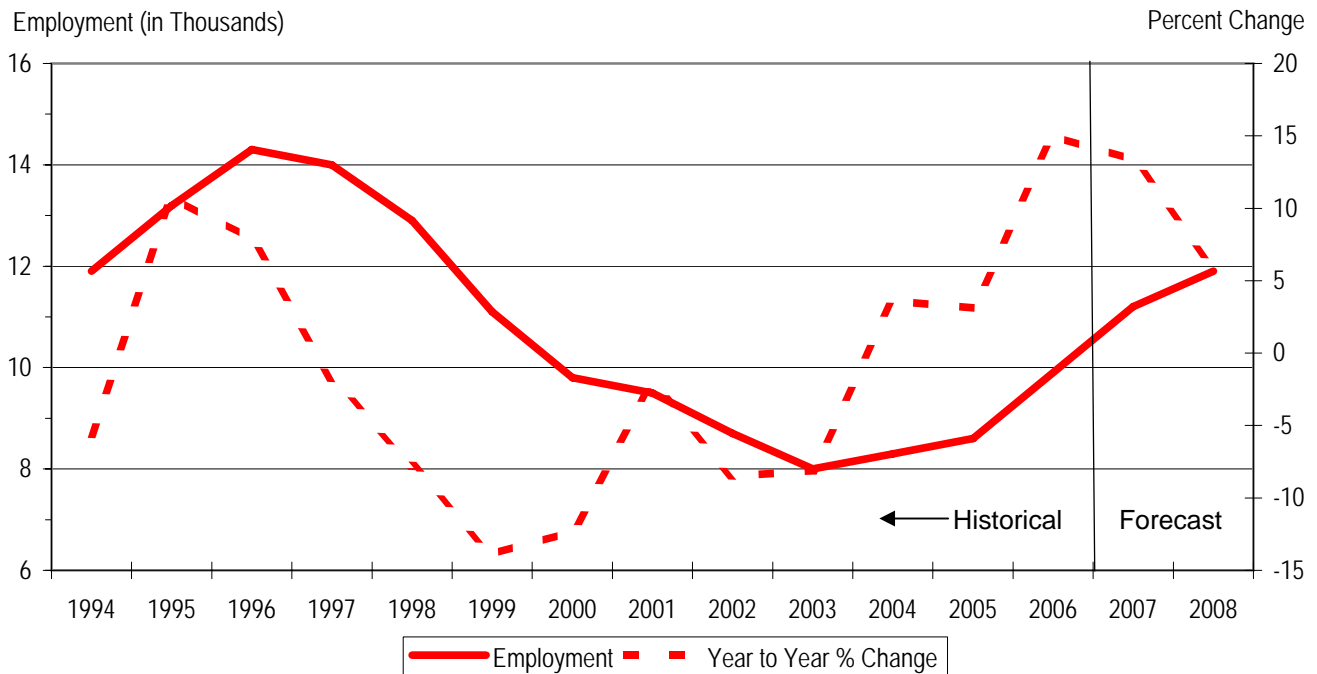


Chart 8

Arizona Construction Employment

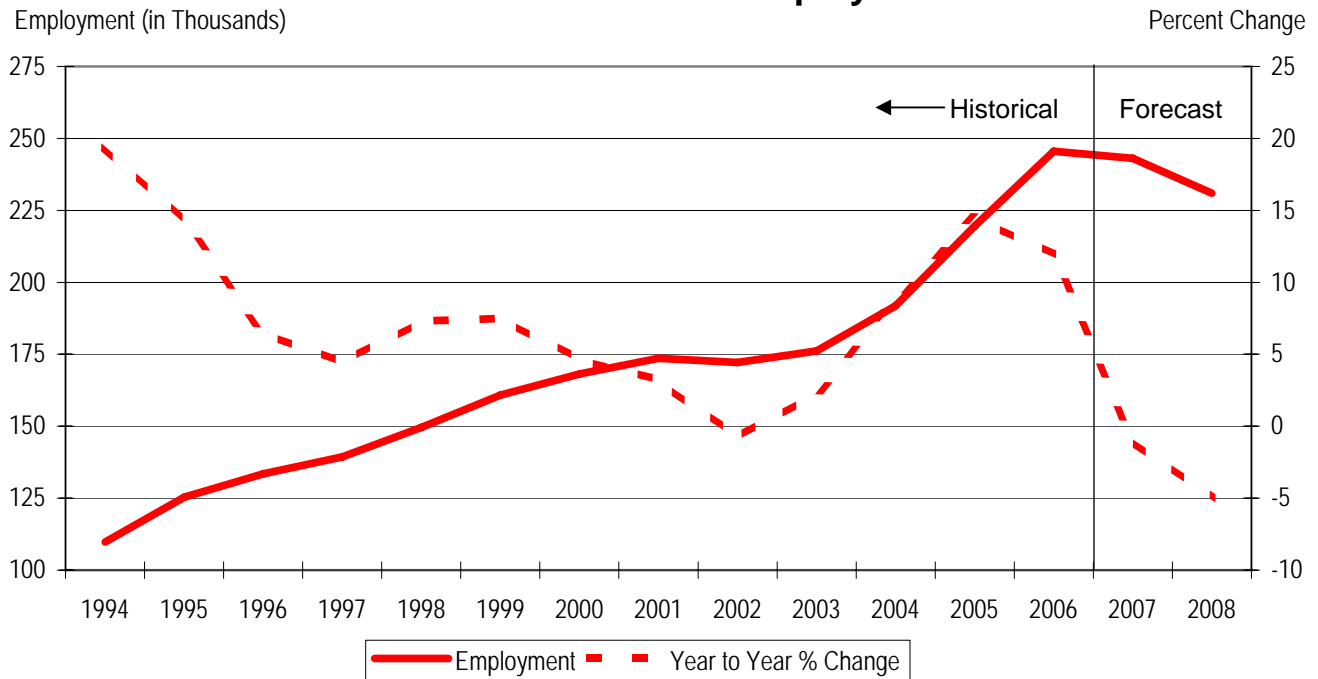


Chart 9

Arizona Trade Employment

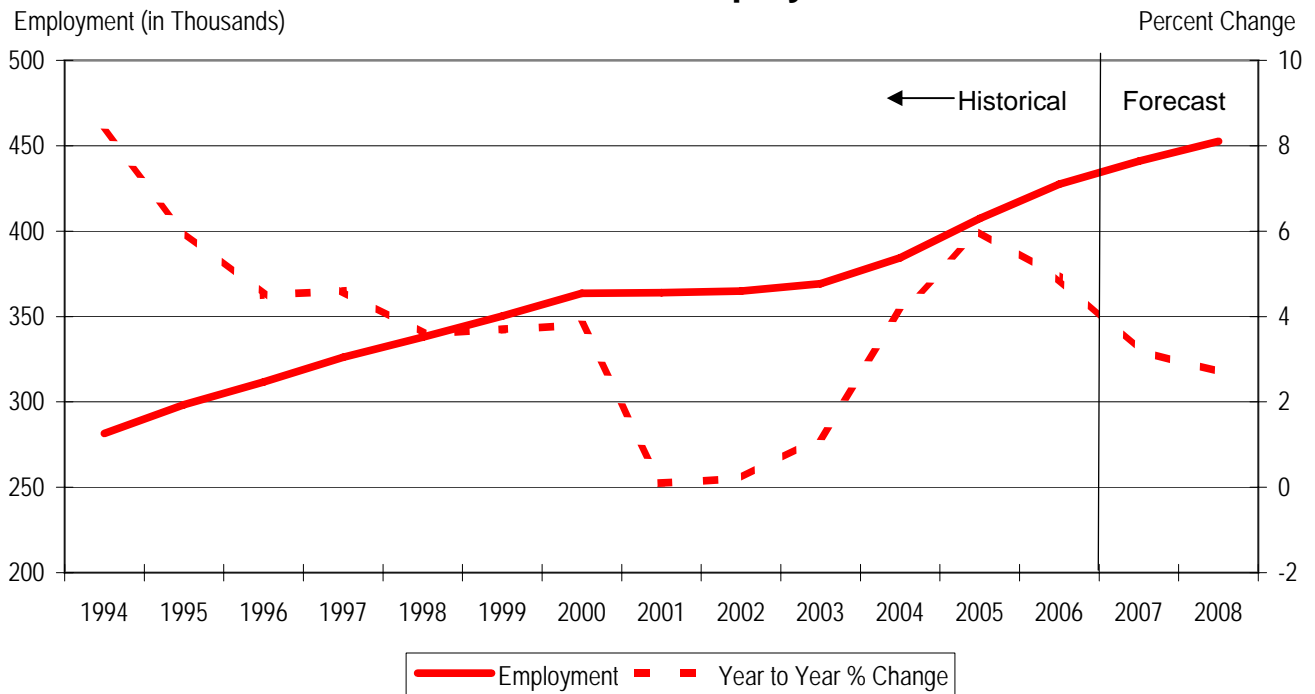


Chart 10

Arizona Transportation & Utilities Employment

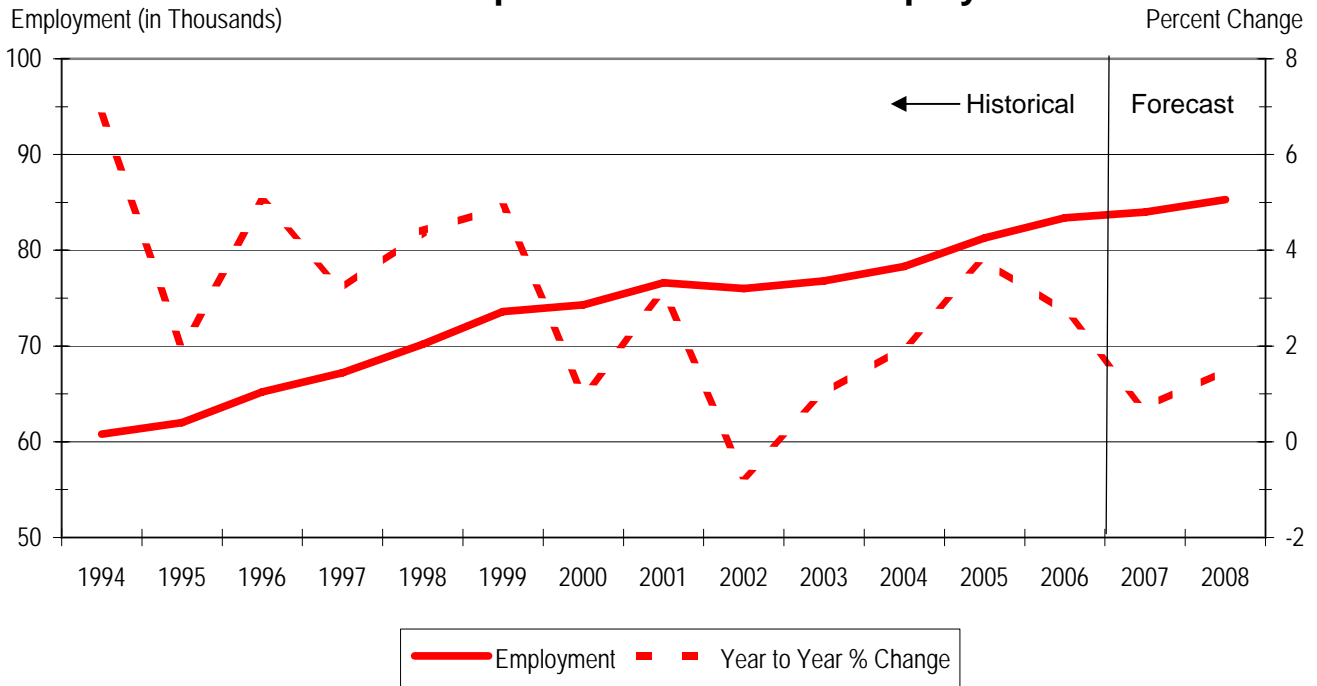


Chart 11

Arizona Information Employment

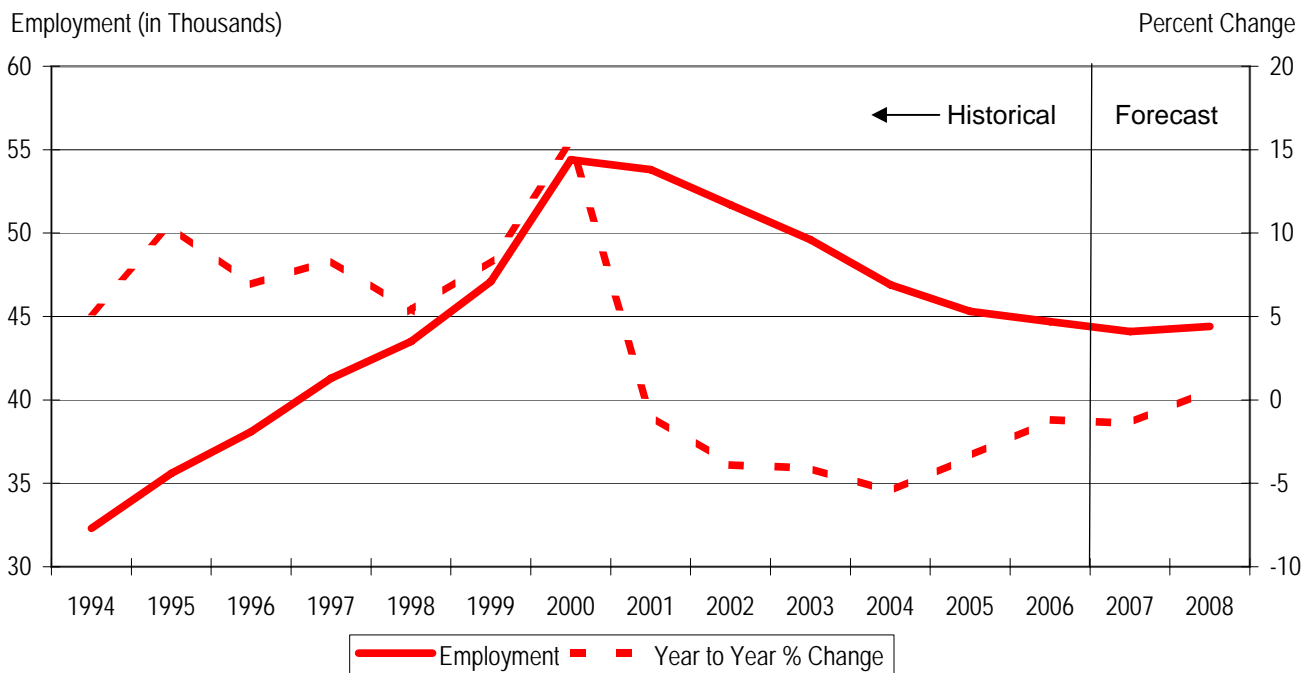


Chart 12

Arizona Financial Activities Employment

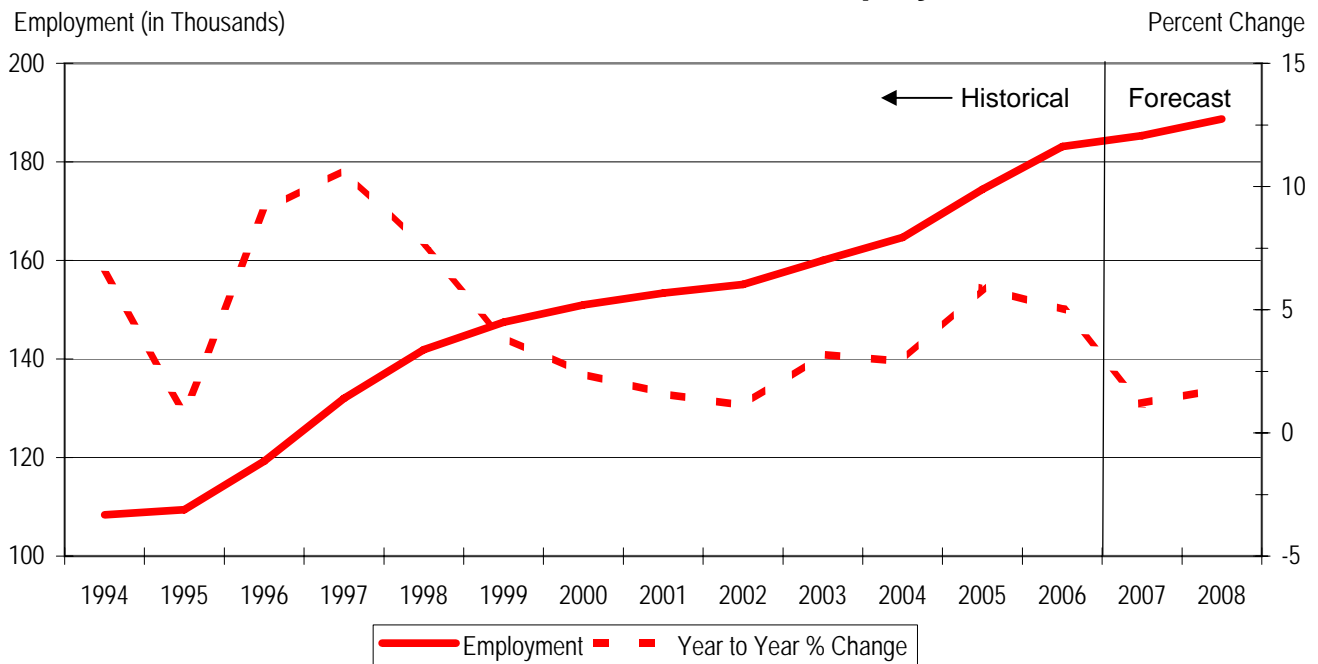


Chart 13

Arizona Professional & Business Services Employment

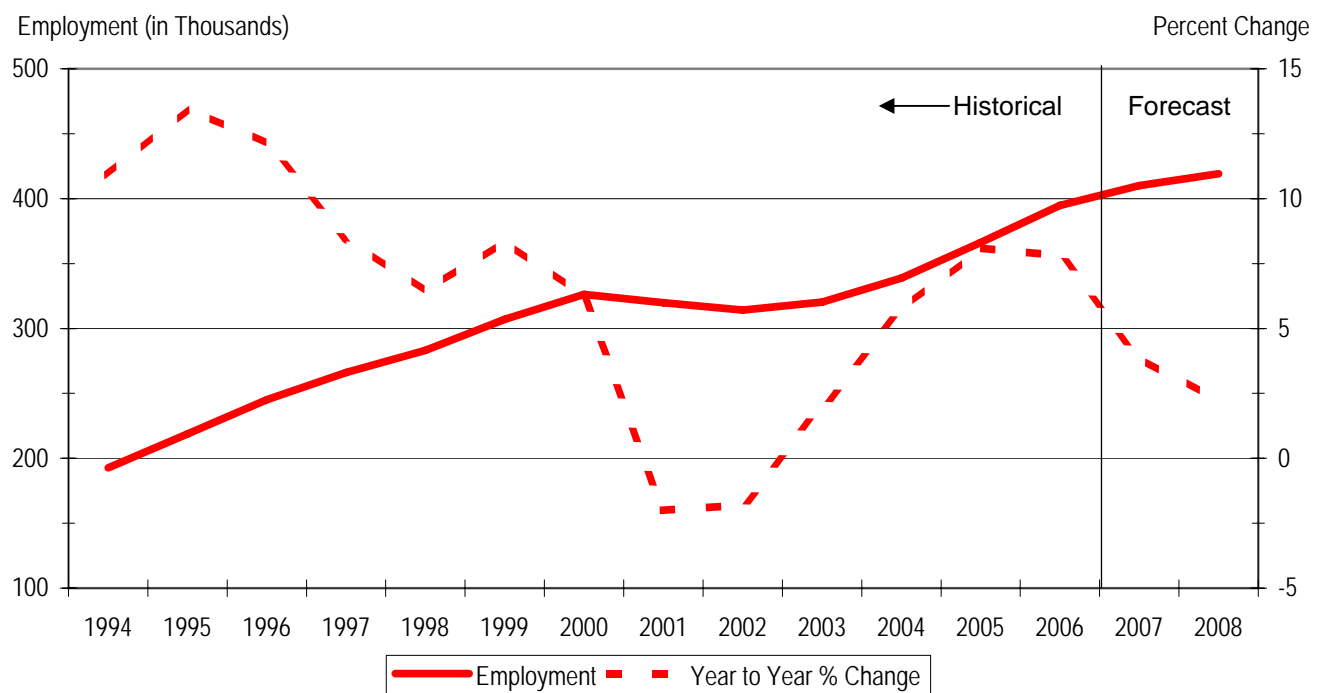


Chart 14

Arizona Education & Health Services Employment

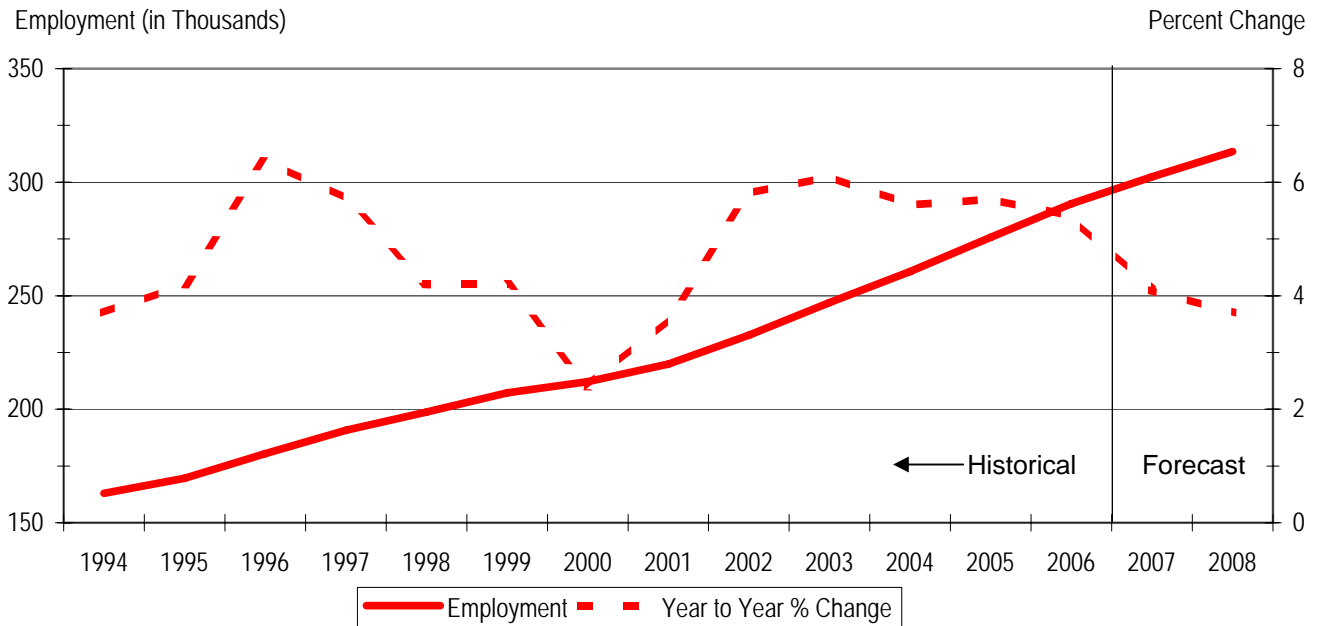


Chart 15

Arizona Leisure & Hospitality Employment

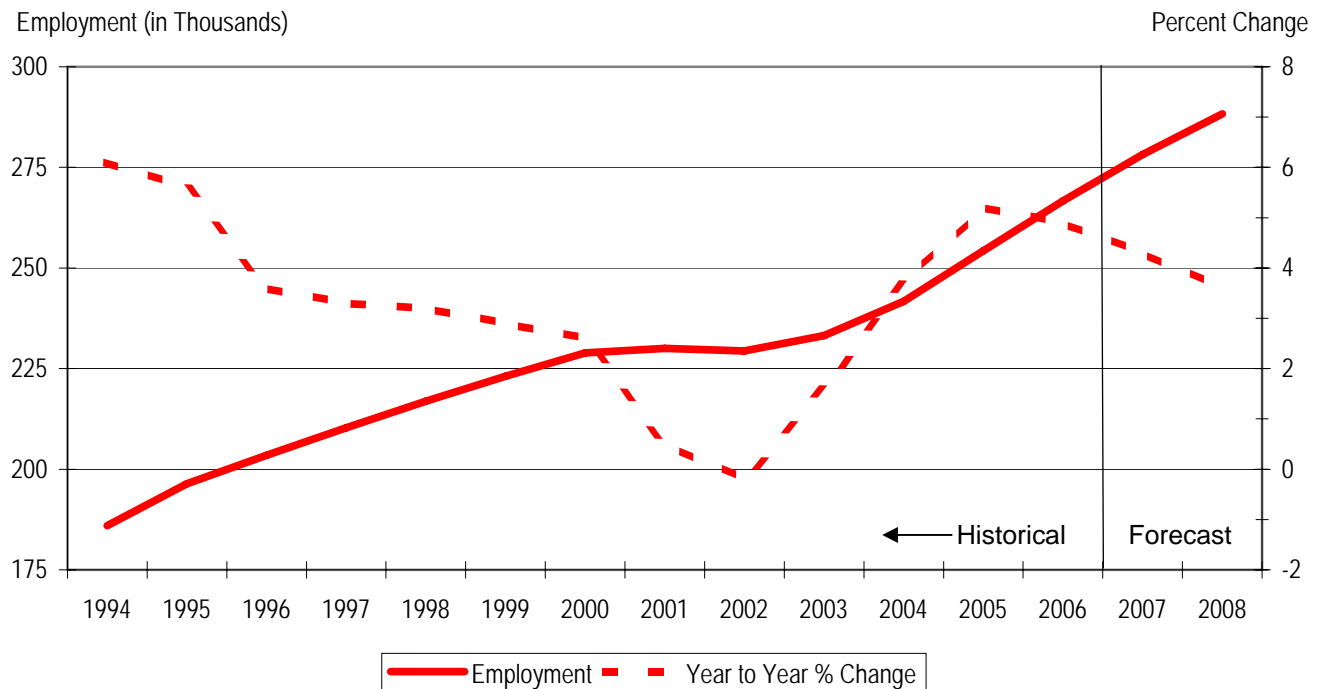


Chart 16

Arizona Other Services Employment

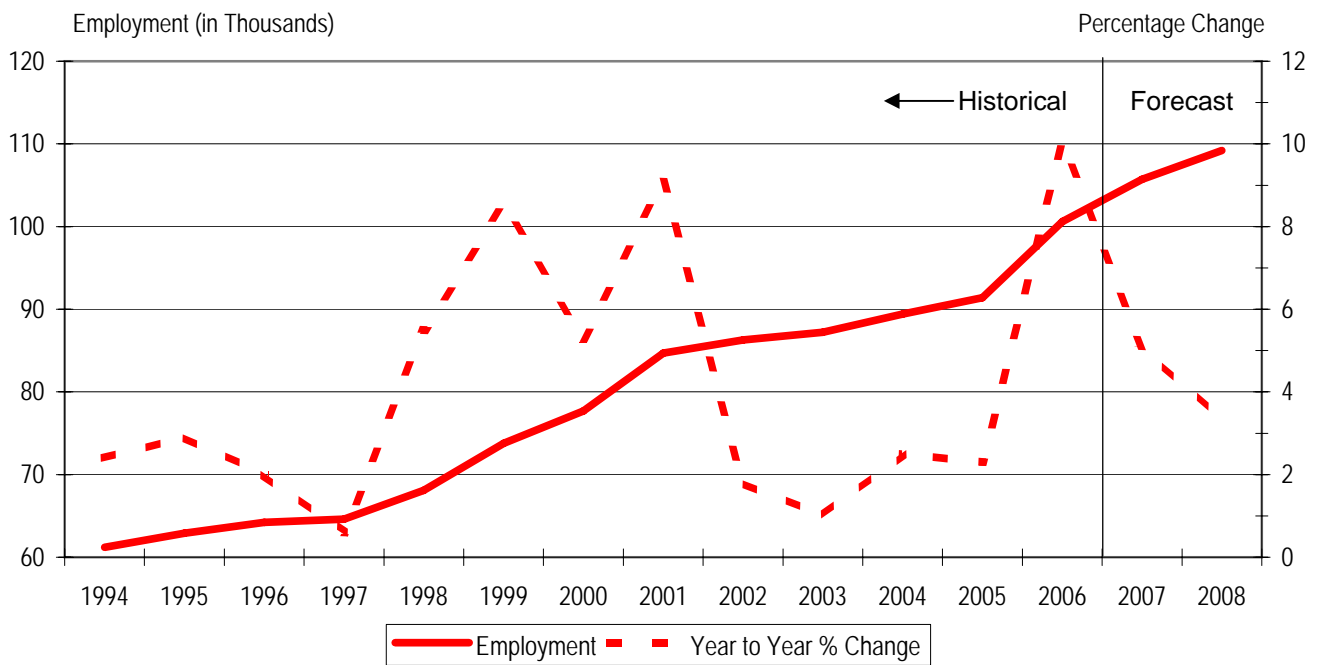
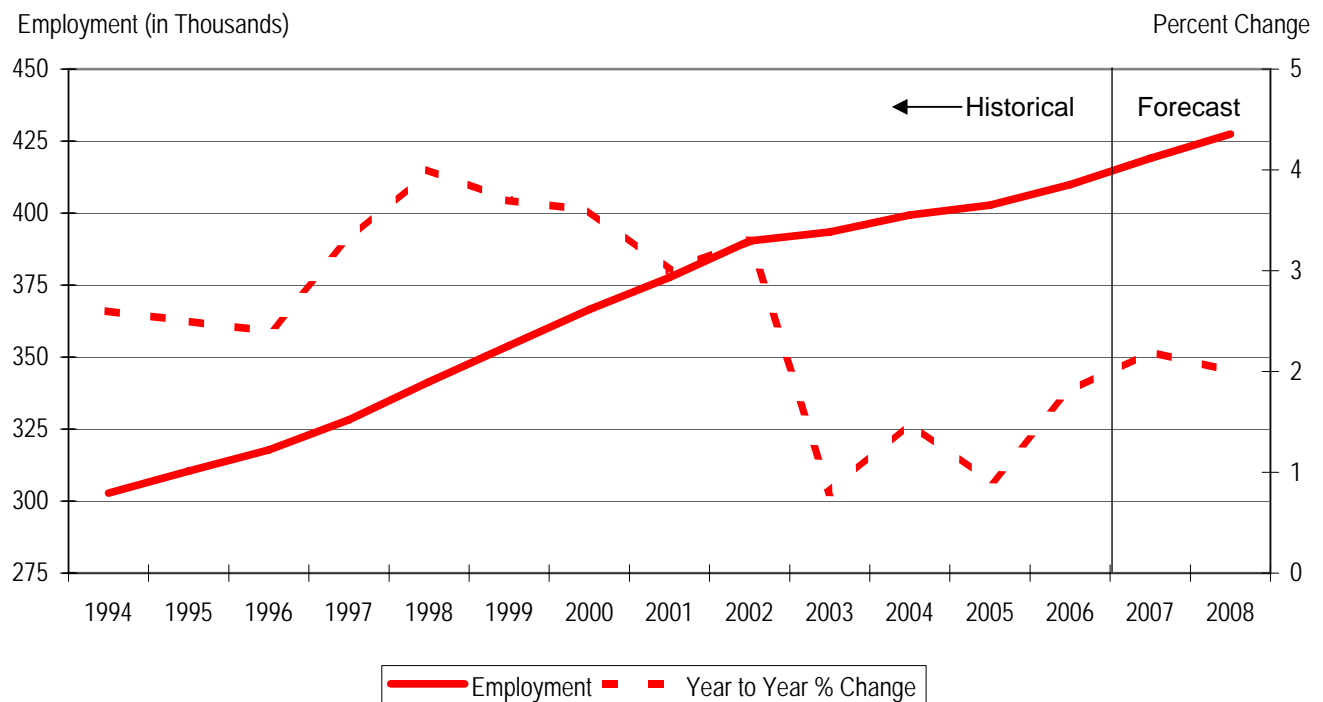


Chart 17

Arizona Government Employment





— Equal Opportunity Employer/Program —

Under Titles VI and VII of the Civil Rights Act of 1964 (Title VI & VII), and the Americans with Disabilities Act of 1990 (ADA), Section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, the Department prohibits discrimination in admissions, programs, services, activities, or employment based on race, color, religion, sex, national origin, age, and disability. The Department must make a reasonable accommodation to allow a person with a disability to take part in a program, service or activity. For example, this means if necessary, the Department must provide sign language interpreters for people who are deaf, a wheelchair accessible location, or enlarged print materials. It also means that the Department will take any other reasonable action that allows you to take part in and understand a program or activity, including making reasonable changes to an activity. If you believe that you will not be able to understand or take part in a program or activity because of your disability, please let us know of your disability needs in advance if at all possible. To request this document in alternative format or for further information about this policy, contact the Division of Employee Services and Support (DESS) ADA Coordinator at 602-229-2811; TTY/TDD Services: 7-1-1.